

THE DELAWARE AGRICULTURAL LANDS
PRESERVATION FOUNDATION-
ADMINISTRATIVE FUNDS
FINANCIAL STATEMENTS
, JUNE 30, 2005 AND 2004

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INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
The Delaware Agricultural Lands Preservation Foundation**

We have audited the accompanying financial statements of the special revenue fund of The Delaware Agricultural Lands Preservation Foundation – Administrative Funds of the State of Delaware as of and for the fiscal years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the special revenue fund of Delaware Agricultural Lands Preservation Foundation – Administrative Funds and are not intended to present fairly the financial position and the results of its operations of the State of Delaware in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the special revenue fund of the Delaware Agricultural Lands Preservation Foundation – Administrative Funds of the State of Delaware as of June 30, 2005 and 2004, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2005, on our consideration of the Delaware Agricultural Lands Preservation Foundation – Administrative Funds' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Delaware Agricultural Lands Preservation Foundation – Administrative Funds has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary information on page 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delaware Agricultural Lands Preservation Foundation – Administrative Funds' basic financial statements. The Statement of General Government Expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Statement of General Government Expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Raymond F. Book & Associates, P.A.
RAYMOND F. BOOK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Dover, Delaware
September 7, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

**Board of Trustees
Delaware Agricultural Land Preservation Foundation**

We have audited the financial statements of the Delaware Agricultural Lands Preservation Foundation-Administrative Funds as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated September 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delaware Agricultural Land Preservation Foundation - Administrative Funds' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

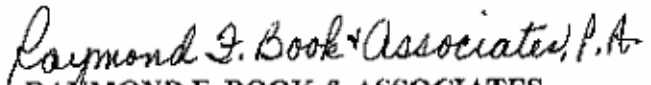
Compliance

As part of obtaining reasonable assurance about whether the Delaware Agricultural Land Preservation Foundation - Administrative Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions

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of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Trustees, management, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Budget, Department of Finance and the Office of Auditor of Accounts and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002 (d), this report is a public record and its distribution is not limited.


RAYMOND F. BOOK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Dover, Delaware
September 7, 2005

THE DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION - ADMINISTRATIVE FUNDS
BALANCE SHEET
JUNE 30, 2005 AND 2004

	2005		2004	
	Governmental Fund Type	Special Revenue Fund	Governmental Fund Type	Special Revenue Fund
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash In Bank	\$ 22,220	\$ 13,499	\$ 22,220	\$ 13,499
Cash Account Held by State of Delaware	237,204	186,570	237,204	186,570
Petty Cash	15	19	15	19
Roll Back Taxes Receivable	20,330	35,368	20,330	35,368
Total Current Assets	\$ 280,359	\$ 235,456	\$ 280,359	\$ 235,456

LIABILITIES, FUND EQUITY AND OTHER CREDITS

<u>Current Liabilities</u>				
Accounts Payable	\$ 5,822	\$ 9,780	\$ 5,822	\$ 9,780
Accrued Wages and Benefits	2,893	751	2,893	751
Total Current Liabilities	\$ 8,715	\$ 10,531	\$ 8,715	\$ 10,531
<u>Fund Balance</u>				
Unrestricted	\$ 271,644	\$ 224,925	\$ 271,644	\$ 224,925
Total Liabilities and Fund Balance	\$ 280,359	\$ 235,456	\$ 280,359	\$ 235,456

THE DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION -
ADMINISTRATIVE FUNDS
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
Grant - State of Delaware	\$ 150,000	\$ 150,000
Roll-back Taxes	66,720	88,542
Interest Income	4,206	2,741
Award from Settlement	5,576	1,500
License Plate Revenue	1,400	3,955
Donations	445	100
<u>Total Revenues</u>	<u>\$ 228,347</u>	<u>\$ 246,838</u>
<u>EXPENDITURES</u>		
<u>Current</u>		
General Government	\$ 181,628	\$ 233,977
<u>Excess (Deficit) of Revenue over Expenditures Before Transfers</u>	<u>\$ 46,719</u>	<u>\$ 12,861</u>
<u>OTHER FINANCING SOURCES</u>		
Transfers From Other State Funds	\$ -	\$ 35,904
<u>Net Change in Fund Balance</u>	<u>\$ 46,719</u>	<u>\$ 48,765</u>
<u>Fund Balance - Total Beginning of Year</u>	<u>224,925</u>	<u>176,160</u>
<u>Fund Balance - Total End of Year</u>	<u>\$ 271,644</u>	<u>\$ 224,925</u>

SEE AUDITOR'S REPORT AND NOTES TO FINANCIAL STATEMENTS

THE DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION-
ADMINISTRATIVE FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

On July 8, 1991, the Governor of the State of Delaware signed House Bill 200 to amend Chapter 9, Title 3, of the Delaware Code. The legislation established a comprehensive agricultural lands preservation program to serve the long-term needs of the agricultural community and the citizens of Delaware. It is the declared policy of the State to conserve, protect and encourage improvement of agricultural lands within the State for the production of food and other agricultural products useful to the public which are grown, raised or harvested on lands and water in the State of Delaware.

The Delaware Agricultural Lands Preservation Foundation was created by this legislation to accomplish this mission by establishing Agricultural Preservation Districts of viable and productive farmland and forestland. The Foundation is directed to provide economic incentives and benefits to agribusiness, purchase development rights from landowners, encourage development in areas where infrastructures exist, and promote the agricultural industry and the concept of preserving viable land for the future.

The enabling statute for the Preservation Foundation established a trust fund. Monies for farmland preservation have come from the 21st Century Fund set up by the General Assembly under the control of the Secretary of Finance and released to accounts within the Delaware Department of Agriculture under the certification and subsequent control of the Secretary of Agriculture. Federal funds and monies from the Capital Budget, earmarked for agricultural lands preservation district creation, is also solely the responsibility of the Delaware Department of Agriculture. All accounting of these expenditures is within the State of Delaware's accounting system, DFMS.

The General Assembly of the State of Delaware provided funding for the administrative costs of the Foundation in the amount of \$150,000 for the years ended June 30, 2005 and 2004. These funds are administered directly by the Foundation in separate fund accounts. The transactions recorded in those separate accounts are reported in these financial statements.

THE DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION-
ADMINISTRATIVE FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Basis of Presentation-Fund Accounting

Basis of Accounting

The financial statements of The Delaware Agricultural Lands Preservation Foundation – Administrative Funds are prepared using the modified accrual method of accounting. The expenditures are expensed when incurred and revenues are recorded when collected or collectible soon enough to pay current liabilities (referred to as “Available”). “Available” generally means collectible within 60 days.

Governmental Fund Types

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for purposes of provided supporting administrative services to the Delaware Agricultural Lands Preservation Foundation.

Income Taxes

The Foundation is exempt from income taxes under Section 115 of the Internal Revenue Code. Therefore, no provision for income tax is necessary.

Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Risk

The Delaware Agricultural Lands Preservation Foundation is highly dependent upon the State of Delaware, rollback taxes from the three counties in Delaware and the Delaware Department of Transportation as its major sources of funding. These funding sources are dependent upon general economic conditions within the State of Delaware.

Note 2 -

Cash and Cash Equivalents

As of June 30, 2005 and 2004 the Foundations Administrative Funds has a cash balance of \$237,594 and \$186,570 held by the State of Delaware’s Treasurer’s Office. Cash is controlled by the personnel of the State Treasurer’s Office in Dover, Delaware.

THE DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION-
ADMINISTRATIVE FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the Foundations Administrative Funds but the credit risk cannot be categorized by these funds. Credit risk for such investments depends on the financial stability of the State of Delaware.

The Foundation's cash account held by Wilmington Trust is covered because the balances are less than the FDIC limit of \$100,000 both for June 30, 2005 and 2004.

Note 3 - Change in Accounting Pronouncements

In 2004, the Foundation's Administrative Funds implemented the following GASB statement:

- ❖ GASB Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments"*

Note 4 - Accounts Payable

Accounts payable represent expenses incurred by the Foundation prior to the end of their fiscal year, but not paid until after their fiscal year has ended. Accounts payable for the years ended June 30, 2005 and 2004 were \$5,822 and \$9,780, respectively.

Note 5 - Rollback Taxes

Under the provisions of House Bills 200 and 630, rollback taxes under the Farmland Assessment Act are directed to be paid by the Counties to the Agricultural Lands Preservation Foundation. In the Farmland Assessment Act of 1969 provision is made for a rollback tax. These rollbacks occur whenever lands qualified under the Farmland Assessment Act are changed in use from agriculture to some other use. Under the provisions of House Bill 630 a change of use was further defined as changes in zoning, subdivision, building permits or certificate of occupancy status. On the day that such rollback takes effect a tax obligation is created for the owner of record. The tax is computed as the difference in the taxes that would have been paid without Farmland Assessment, and the taxes that were in fact paid under Farmland Assessment for five years previous to the date of change in use. This sum of money is due and payable to the County and is then directed by the County to two recipients.

The first recipient is the school district within which the property lies, and the second is the Agricultural Lands Preservation Foundation. The share of money from the rollback tax, which is computed for each of these recipients, is based upon their proportionate share of the tax rate which was in effect during the five years on which

THE DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION-
ADMINISTRATIVE FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

the rollback was computed. Under statute, the County forwards to the school district board that portion of the rollback tax attributable to the local school district. From the remaining funds, the County removes a 7.5% administration fee as provided by statute, and forwards the remaining dollars to the Agricultural Lands Preservation Foundation.

The Foundation records any rollback taxes collected by the Counties as of June 30, but not remitted to the Foundation until later as a rollback tax receivable. The amount of the rollback taxes receivable was \$20,530 and \$35,368 as of June 30, 2005 and 2004, respectively.

Note 6 - Transfers from Other State Funds

The Delaware Farm Preservation Services transferred funds to the Foundation's Administrative Funds. This amount was used to pay payroll expenses of the Foundation's Administrative Fund's full time employee. The transferred amounts were \$0 and \$35,904 as of June 30, 2005 and 2004, respectively.

Note 7 - Pension Plan

State employees are covered under the State of Delaware Employees' Pension Plan, which is a cost sharing, multiple employees defined benefit public employee's retirement systems (the State PERS). The State of Delaware General Assembly is responsible for setting benefits and amending plan provisions. The State Board of Pension Trustees determines the contribution requirements. All eligible State employees are required to contribute to the plan according to Chapter 55, Title 29 of the Delaware Code.

All full-time and regular part-time employees are eligible to participate in the State PERS. The State PERS provides pension disabilities and death benefits. Certain significant plan provisions are as follows:

- ❖ **Early retirement**
 - 15 years of service – age 55
 - 25 years of service – any age

- ❖ **Service retirement**
 - 15 years of service – age 60
 - 30 years of service – any age
 - 5 years of service – age 62

THE DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION-
ADMINISTRATIVE FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

- ❖ Disability retirement
 - 5 years of service and proof of disability

Vested pension – an employee can vest pension rights after five years of service.

The State PERS issued a publicly available financial report that includes the financial statements and required supplementary information that may be obtained in writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, Delaware 19904 or by calling 1-800-722-7300.

Employees of the Foundation Administrative funds are required to contribute the percentage of earnings in excess of \$6,000. The Foundation Administrative Funds pension expense for the year ended June 30, 2005 and 2004 was \$6,947 and \$3,534, respectively.

Note 8 - Commitments and Contingencies

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The Foundation Administrative Funds does not anticipate losses from those transactions.

Note 9 - Budgetary Information

The Foundation's Administrative Funds uses the following procedures in establishing the budgetary data included in the financial statements. Before the last meeting in the prior fiscal year, management drafts a budget for the Board to approve at the last meeting. Management reviews the last year of expenses and revenues then adjusts it for any known activity for the upcoming fiscal year. During the year, management reviews the actual to budget every month and informs the Board when actual expenditures are grossly over budget. This is to receive approval from Board to adjust the budget lines.

The Foundation's Administrative Funds uses the accrual method when adopting their budget.

THE DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION-
ADMINISTRATIVE FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Note 10 - Award from Settlement

The amount of \$5,576 represents the reimbursement of survey and legal fees associated with the purchase of land developing rights from Donald L. Chalmers. Mr. Chalmers had signed an agreement for the purchase of the development rights then decided not to go through with the contract. Due to the breach of contract, Mr. Chalmers reimbursed the foundation for the costs that had been incurred and the Foundation then returned the funds to the State of Delaware.

THE DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION - ADMINISTRATIVE FUNDS

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE (GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Grant - State of Delaware	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Roll-back Taxes	88,542	88,542	66,720	21,822
Interest Income	-	-	4,206	(4,206)
Award from Settlement	-	-	5,576	(5,576)
Plates	-	-	1,400	(1,400)
Donations	-	-	145	(145)
Total Revenues	\$ 238,542	\$ 238,542	\$ 228,347	\$ 10,195
EXPENDITURES				
Wages and Overtime	\$ 75,500	\$ 65,626	\$ 55,688	\$ 9,938
Contracted Labor	10,700	12,065	6,488	5,577
Other Contractual Services	-	-	7,463	(7,463)
Employee Benefits	-	-	15,602	(15,602)
Bank Charges	-	-	309	(309)
Payroll Taxes	-	-	4,028	(4,028)
Conferences and Seminars	3,525	2,868	2,868	-
Strategy and Other Mapping	44,919	41,332	48,755	(7,423)
Other Mapping/Internet	-	-	1,749	(1,749)
Office Supplies and Expense	4,162	5,123	5,008	115
Telephone	1,300	1,690	1,630	60
Legal Fees	-	10,535	15,074	(4,539)
Dues and Subscriptions	400	400	400	-
Insurance	3,000	3,000	3,000	-
Auto Rental	7,494	7,361	7,990	(629)
Reimbursement of Settlement to State of Delaware	-	-	5,576	(5,576)
Total Expenditures	\$ 150,000	\$ 150,000	\$ 181,628	\$ (31,628)
Excess (Deficit) of Revenue over Expenditures Before Transfers	\$ 88,542	\$ 88,542	\$ 46,719	\$ 41,823
OTHER FINANCING SOURCES				
Transfers From Other State Funds	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ 88,542	\$ 88,542	\$ 46,719	\$ 41,823

SEE AUDITOR'S REPORT AND NOTES TO FINANCIAL STATEMENTS

THE DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION -
ADMINISTRATIVE FUNDS
STATEMENT OF GENERAL GOVERNMENT EXPENDITURES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>EXPENDITURES</u>		
<u>Current</u>		
General Government		
Wages and Overtime	\$ 55,688	\$ 30,076
Contracted Labor	6,488	30,363
Other Contractual Services	7,463	3,232
Employee Benefits	15,602	7,620
Bank Charges	309	263
Payroll Taxes	4,028	2,211
Insurance	3,000	-
Strategy and Other Mapping	48,755	80,711
Other Mapping/Internet	1,749	31,090
Office Supplies and Expense	5,008	3,328
Telephone	1,630	1,618
Repairs and Maintenance	-	300
Legal Fees	15,074	38,161
Dues and Subscriptions	400	380
Travel	2,868	-
Auto Rental	7,990	4,624
Reimbursement of Settlement to State of Delaware	5,576	-
<u>Total Expenditures</u>	<u>\$ 181,628</u>	<u>\$ 233,977</u>

SEE AUDITOR'S REPORT AND NOTES TO FINANCIAL STATEMENTS